

Message Text

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ACTION AGRE-00

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DEPT PASS USDA FOR FAS/SUGAR AND TROPICAL PRODUCTS

E.O. 11652: N GDS
TAGS: EPAP, ELAB, EIND, PE
SUBJECT: GOP DECLARES SUGAR INDUSTRY IN STATE OF EMERGENCY

REF: FAS PR-7011 (3/17/77)

SUMMARY: THE DETERIORATION OF THE SUGAR INDUSTRY RESULTING FROM BOTH EXTERNAL AND INTERNAL FORCES HAS COMPELLED THE GOP TO ASSUME A DIRECT ROLE IN OVERSEEING THE INDUSTRY. IN AN EFFORT TO RESTORE STABILITY THE GOP HAS IMPOSED WAGE AND HIRING FREEZES, REDUCED SOCIAL INVESTMENT, REMOVED THE EXPORT TAX ON SUGAR CANE, AND INCREASED THE DOMESTIC RETAIL PRICE.

1. THE COUNCIL OF MINISTERS IN ITS MARCH 15 SESSION APPROVED A SERIES OF DECREE LAWS DIRECTED AT MEETING WHAT IS DESCRIBED AS A STATE OF EMERGENCY IN THE SUGAR INDUSTRY. THE OFFICIAL EXPLANATION OF THE EMERGENCY IS NOT ONLY THE DECLINE IN WORLD MARKET SUGAR PRICES, BUT ALSO THE ACCUMULATION OF PROBLEMS OF MANAGEMENT, ADMINISTRATION, AND LABOR. THE DECREE LAWS ARE TO BE IN EFFECT FOR ONE YEAR FROM THE DATE OF ENACTMENT. BY IMPLICATION, STABILITY IS TO BE RESTORED DURING THAT PERIOD AND THE NECESSITY OF THE SPECIAL MEASURES OBLIVIATED.

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2. THE BASIC DECREE LAW (21815) IS MOST SPECIFICALLY DIRECTED AT FIVE OF THE SMALLER SUGAR PRODUCTION COOPERATIVES WHICH ARE TO BE SUPERVISED BY A CENTRAL MANAGEMENT BOARD WHICH WILL ASSUME ALL MANAGEMENT FUNCTIONS FOR THE COOPERATIVES. THE FOLLOWING ACTIONS WILL BE PROHIBITED IN ALL SUGAR COOPERATIVES:
A) ADJUSTMENTS OR INCREASES IN THE WAGES OF THE COOPERATIVE

MEMBERS WITH THE EXCEPTION OF THOSE AUTHORIZED BY THE GOP.
B) LOCKOUTS, STRIKES, AND ALL OTHER IMPEDIMENTS TO PRODUCTION.
C) ENTRY OF NEW MEMBERS OR HIRING OF PERMANENT WORKERS, EXCEPT THOSE HIGHLY QUALIFIED AND AUTHORIZED IN ADVANCE.
D) WAGE ADVANCES OR LOANS EXCEPT WHERE AUTHORIZED.
E) INVESTMENTS OF A SOCIAL NATURE (HOUSING, CLINICS, ETC.) EXCEPT WHERE STRICTLY NECESSARY AND OFFICIALLY AUTHORIZED. IN ADDITION ALL MEDICAL CARE IS TO BE DISPENSED UNDER THE NATIONAL SOCIAL SECURITY SYSTEM USING THE CENTERS LOCATED IN THE COOPERATIVES. FINALLY, THE AMOUNT OF OVERTIME FOR EACH WORKER IS LIMITED TO TWO HOURS PER DAY OR TWENTY HOURS PER MONTH.

3. A SEPARATE DECREE LAW (21818) AUTHORIZES COFIDE TO GUARANTEE UP TO 20 MILLION DOLLARS WORTH OF LOANS OUTSTANDING ON THE PART OF THE CENTRAL COOPERATIVE OF SUGAR PRODUCERS IN ORDER TO OBTAIN NEW CREDITS OR TO REFINANCE THOSE ALREADY OBTAINED FROM THE NATIONAL COMMERCIAL BANK.

4. STILL ANOTHER DECREE LAW (21817) REMOVES THE EXPORT TAX ON SUGAR CANE FOR THE YEAR 1977. AND FINALLY, A SEPARATE MINISTERIAL RESOLUTION SLIGHTLY RAISED THE DOMESTIC RETAIL PRICE OF BROWN AND REFINED SUGAR.

5. MORE EXTENSIVE BACKGROUND ON THE DECLINE OF THE PERUVIAN SUGAR INDUSTRY IS CONTAINED IN FAS LIMA REPORT PR-7011. BRIEFLY, THE DECLINE IS ILLUSTRATED BY THE CHANGES IN EXPORTS IN THE YEARS 1975-76. VOLUME WENT FROM 4422,000
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METRIC TONS TO 256,000 AND THE VALUE FROM US\$269 MILLION TO US\$78 MILLION. THIS DECLINE COINCIDED WITH A LONGER PERIOD OF DRAMATIC EXPANSION OF THE WORK FORCE AND LOOSE AND OFTEN INEFFECTIVE MANAGEMENT GROWING OUT OF THE AGRARIAN REFORM.

6. COMMENT: WHETHER THESE MEASURES WILL BE ADEQUATE TO RESTORE THE SUGAR INDUSTRY IS NOT KNOWN. HOWEVER, THE GOP'S CRISIS-INDUCED READINESS TO DIRECTLY TAKE OVER CERTAIN COOPERATIVES, AND TO PLACE LIMITS ON EMPLOYMENT, WAGES, CREDIT, AND SOCIAL SERVICES IN THE REST IS ANOTHER EXAMPLE OF THE GROWING WILLINGNESS TO TURN ABRUPTLY FROM FORMER POLICIES (FAVORING EXPANDED SOCIAL BENEFITS AND ASSUMPTIONS OF NEW WORKERS) WHEN CONFRONTED WITH HARSH ECONOMIC REALITY. THE SUGAR DECREES WILL ALSO HAVE A POLITICAL EFFECT. APRA TRADE UNIONS, WHICH CONTROL THE LARGEST COOPERATIVES, FEEL THEY MAY BE STRENGTHENED VIS A VIS MARXIST GROUPS. THESE UNIONS HAVE OPPOSED ABSORPTION OF NEW WORKERS. IN THE LING RUN, STATE - IMPOSED LIMITATIONS

ON WAGES AND BENEFITS WILL LIKELY CAUSE WIDESPREAD DIS-
CONTENT AMONG COOPERATIVE MEMBERS, EVEN AS THEY REALIZE THE
NEED FOR SEVERE WAGE AND BENEFIT RESTRAINTS.

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